Episode #357 – How to Defeat the “IUL is Expensive” Objection

Welcome back. My name is Kyle. Today we'll be talking about to no surprise, the number one objection when selling iul and depending on how you address this objection will likely dictate if you win the piece of business. Or not? Are you the advisor that shies away and refrains from sharing these expenses up front, and you use it on the back end? Or are you an advisor that controls the message, reframes the conversation, and utilizes certain resources to help overcome that? That's the point of this episode that we're going to cover today, the first piece.

Being fully transparent, think we all need to admit to ourselves that IUL is expensive, and the sooner that we can realize that, the easier that we can then pass it on to the client and share with them. Think of it going to a mechanic if they walk you through each line item and explain to you what they're doing to your car, you have a better likelihood of doing business with them. If there's anything to write down, it's that transparency equals honesty. Honesty builds trust. Trust builds confidence in working with you and often leads to low or no objections at the end of the day.

What exactly are the costs if we don't know this top of mind? Really, they're in two camps. There's either fixed or there's variable the fixed costs or the premium loads, which is a certain specific percentage. Based on your premium paid, typically for 10 years and that often is passed on to cover the state income tax for the carrier. There's administrative costs, which are nominal, those are small policy fees that are for the life of the contract, but the bulk of the fees are based on the variable cost structure. These are lumped into what we call expense charges or per unit charges. These are costs are going to go to help with acquisition, whether that's ordering exams, payroll, paying out the distribution, medical records, the list goes on. It's a good reminder to share with them how you're designing these policies for maximum efficiency. Squeezing down the face maximum funding up to the IRS guidelines, so it's important. It's important to cover and be fully transparent when it comes to cost and really at the end of the day, people only talk when they don't see the value of what they're paying for.

How can we tell a story? That's a good analogy or metaphor that we can use. I like to use what's called the story of the five floor apartment building. Think of this as an investment vehicle, one that doesn't exist. I'm just using this as an example, but the IRS deemed as a special tax treatment or a special investment vehicle where you can get the three T's. Tax deferral on your money, tax-free access when taking money out, and then the tax-free wealth transfer. That how you get those 3T's in this five story apartment building. The IRS creates stipulations. They say OK, well, you can buy the building and you can mortgage the building, but we're only going to allow you to rent out one floor at a time. If you think to yourself, well, that's not good. I'm paying a full mortgage and I only can generate rental income on one property or one floor each year.

What happens over time? You'll notice that you continue to start filling up your floor is generating more rental income; the cost or the revenue generator will offset that. Mortgage cost and then later in the 3rd, 4th, 5th years and so forth. You're going to now have positive cash flow. That's a great analogy for IOL where we have to have patience. This is a long term vehicle. We have to stomach these first couple of years because yes, they are expense. It does require an upfront premium or capital and there is an upfront cost, but I wanted to share that story because that's essentially what they're getting inside UL. Of course, along attached to what those are those 3 tax advantages.

The third piece, which is the most important, which separates normal advisors with Elite Advisors, is what reports or what visuals or ledgers are they sharing to tackle this objection? The top advisor is using what's called a wealth report that you see on the screen. This wealth report is an alternative to an illustration where we pull the key values from the illustration and tell a better client friendlier story covering the risks in retirement and the benefits. More importantly, the comparisons to alternatives: why should I put my money here when I can put it there? Inside this report, we're going to break that down kind of highlighting the overviews of how it compares - what's the playing field, what's this comparison about a $24,000 contribution income at age 65. This report on page 4 is just going to show a high level overview from a cost expense, cash flow, income standpoint.

Specifically if you go to page 17, which you see on the screen here is where we're going to address year by year, line by line, how this IO compares to a taxabl, tax-deferred, and tax-exempt account. This line graph is a great visual to show the higher fees up front, but tapers down in the end. It overall in the long term is actually lower cost in investment vehicle and if we flip to the next page on 18 we actually are able to show them line by line what the costs are coming out are for. In comparison to others, one of the biggest expenses that we don't typically account for, consumers more so, is that taxes are an expense. We look at these other alternatives. We make sure to focus on that specifically, look at that tax deferred account. Taxes coming out at age 65 close to $85000 a year.

There’s a couple things to note. Earlier, inside the policy, when we don't need our money the most, we're being charged the most, and that's flipped when we need and when we're starting to take income, where the cost are near rock bottom to the bone - when we need our money the most. Now that's flipped with these other vehicles where we're being charged the most in taxes and management fees. This is a very important report and should be used on all IUL cases. I encourage you to request one on your next case and also challenge you to on your next case, put the expense conversation on the forefront. Control the narrative. What you do-not what a client is going to Google, and finding all these articles that tend to be negative around the costs. Eliminate that risk of that application being cancelled and focus on reframing the conversation. Disclose the costs. Reframe the conversation, and use a nice deliverable to help overcome that objection and to win that business. If you can do that, you're going to see increased confidence and higher target premiums. That's all I have for you today. I appreciate you tuning in. We'll see you next week.